MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2019/2020

DEC5024 – MACROECONOMICS

(All sections / Groups)

24 OCTOBER 2019
2.30 p.m – 4.30 p.m
(2 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of **THIRTEEN** pages with 2 sections.
2. Answer **ALL** questions in Sections A and B.
3. Answers for Section A should be shaded on the **OMR** sheet provided.
4. For Section B, please write your answers in the **answer booklet** provided.

SECTION A: MULTIPLE CHOICE QUESTIONS

Each question consists of 1 mark. Answers for this section should be shaded on the OMR sheet provided.

1. Which of the following depicts the relationship of an aggregate demand curve?

   I. Wage rates.
   II. Price level.
   III. Interest rates.
   IV. Aggregate quantity demanded.

   A. I and II.
   B. I and III.
   C. II and III.
   D. II and IV.

Question 2 until Question 5 refer to table 1 below.

Price level (GDP deflator, 2018 = 100)	Aggregate demand (RM millions)	Aggregate supply (RM millions)
300	50	10
250	40	20
200	30	30
150	20	40
100	10	50
50	5	60

Table 1

Table 1 above shows the analysis of Farmville's short-run equilibrium. Answer questions below to help the government to understand the economy.

2. Which of the following statement is **TRUE** about the economy?

   A. The market equilibrium price level and real GDP will change if the cost of production increased.
   B. Government spending will affect the aggregate supply of the market.
   C. When the price level is at 300, aggregate demand is lesser than aggregate supply.
   D. The market analysis refers to the year 2016 as a based year.

3. What is the equilibrium price level and real GDP?

   A. 100; RM50 million.
   B. 150; RM60 million.
   C. 200; RM30 million.
   D. 300; RM60 million.

Continued ...

4. What happens in the economy when the price level is at 250?

   A. Real GDP is below the equilibrium GDP, firms must increase production and lower prices.
   B. Real GDP is above the equilibrium GDP, firms must decrease production and lower prices.
   C. Real GDP is below the equilibrium GDP, firms must decrease production and lower prices.
   D. Real GDP is above the equilibrium GDP, firms must increase production and lower prices.

5. The labour union in Farmville has recently formed a protest strike to increase its minimum wage rate. Which of the following economic events is **MOST** likely to happen?

   A. The firms are forced to smuggled cheap labour from the black market. The equilibrium price level and real GDP remain constant.
   B. The cost to produce goods and services increased. The equilibrium price level increase and the real GDP decreased.
   C. The consumers will no longer want to buy goods and service due to the protest strike. The equilibrium price level and the real GDP remain constant.
   D. The government is forced to invent new machine to produce the goods and services without hiring the labour. The equilibrium price level increase and the real GDP decreased.

6. Which of the following factors will influence the aggregate demand and shift the curve to the right?

   A. A decrease in equilibrium wage rates in the labour market.
   B. A new discovery of crude oil reserve from local oil and gas company.
   C. A decrease in money supply by Bank Negara Malaysia to restore the falling of interest rates.
   D. An increase in government spending for the country's infrastructure improvements.

Continued ...

Question 7 until Question 10 refer to figure 1 below.

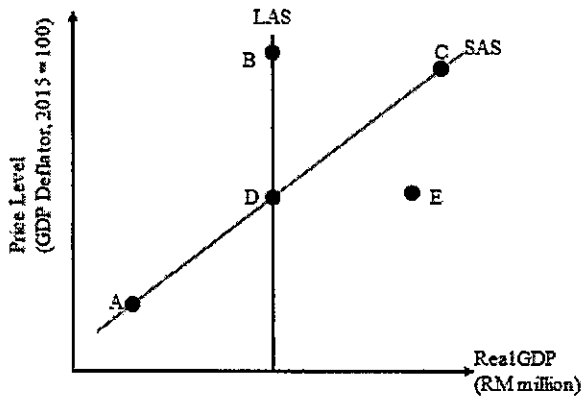


Figure 1

7. In the above figure, the economy will be at full employment at point _____.
   A. A
   B. B
   C. C
   D. D

8. In the above figure, which movement illustrates the impact of a falling price level and a constant wage rate?

   A. B to D.
   B. D to A.
   C. B to C.
   D. A to D.

9. In the above figure, which of the following events will move point D to point E?

   A. Advanced technology.
   B. Decrease in population.
   C. Increase of government tax.
   D. Neighbouring country's economy improves.

10. Which of the following shifts both the *LAS* and *SAS* curves?

    A. Increase in the quantity of capital.
    B. Change in price level.
    C. Change in wage rates.
    D. Change in household preference.

11. Why does the aggregate demand curve have a negative slope?

    A. People earns more when output increases.
    B. Firm produces more when price of related goods rises.
    C. People buy fewer goods and save more when price rises because their wealth decreases.
    D. Aggregate demand curve is upward sloping.

Continued ...

12. According to the intertemporal substitution effect, when the price level increases, the interest rate _____.

A. remains constant and the quantity of real GDP increases
B. rises and the quantity of real GDP demanded increases
C. rises and the quantity of real GDP demanded decreases
D. falls and the quantity of real GDP demanded decreases

13. Which of the following does **NOT** shift the aggregate demand curve?

A. A decrease in the quantity of money.
B. An increase in people's expected future incomes.
C. An increase in the price level.
D. An increase in foreign income.

Question 14 and Question 15 refer to the statement below

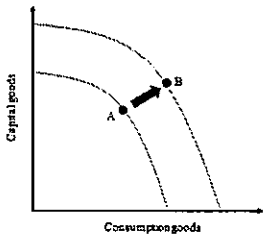
"In the year 2018, Country Z's population has increased by 40% from the previous year. As a result, the country's working-age population grows. The country also has recorded a 25% growth of real GDP due to the country's expansion of export trade."

14. Which of the following statements is **FALSE** about Country Z's economy?

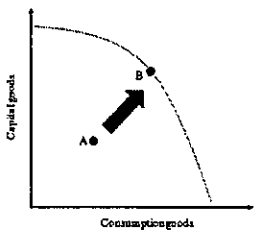
A. The country's economy can benefit from the large increase in its population.
B. The country's real GDP per person grows in 2018.
C. Export plays a significant role in the country's economic growth.
D. The country's aggregate production increased by 25% in 2018.

15. Choose the **CORRECT** diagram to illustrate Country Z production possibilities frontier.

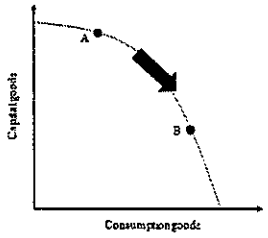
A.



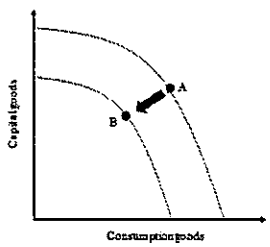
C.



B.



D.



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Question 16 until Question 19 refer to the statement below

"In 2017, Wakanda had a real GDP of $115 billion and a population of 5 million. In 2018, real GDP was $150 billion and population was 4.9 million."

16. What was Wakanda's economic growth rate from 2017 to 2018?
    A. 30.4%
    B. 76.7%
    C. 23%
    D. 33.3%

17. From 2017 to 2018, Wakanda's standard of living _____.
    A. can't be predicted
    B. remain constant
    C. decreased
    D. increased

18. What is Wakanda's real GDP per person in 2018?
    A. $23,000.
    B. $30,612.
    C. $7,000.
    D. $15,612.

19. Using the rule of 70, how long would it take for Wakanda to double its 2018 growth rate?
    A. 3 years.
    B. 2.3 years.
    C. 1 years.
    D. 1.5 years.

Continued ...

Question 20 refers to Figure 2 below

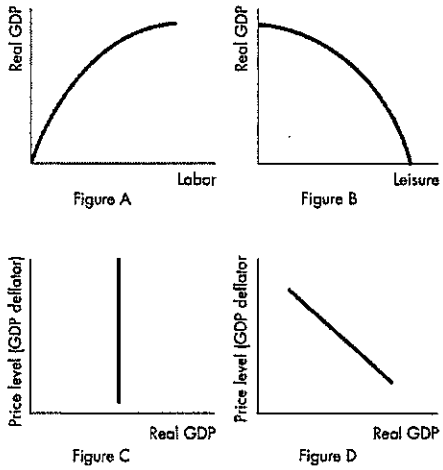

Figure 2

20. Which figure shows an aggregate production function?

A. Figure A.
B. Figure B.
C. Figure C.
D. Figure D.

Question 21 until Question 23 refer to Table 2 below

Real wage rate (2019 RM per hour)	Quantity of labor demanded (billions of hours per year)	Quantity of labor supplied (billions of hours per year)
15	70	10
20	60	20
25	50	30
30	40	40
35	30	50

Table 2

21. Table 2 above shows the labour market for Melaka. When the labour market is in equilibrium, the real wage rate is _____ and _____ of labour a year are employed.

A. RM20 per hour; 80 billion of hours per year
B. RM25 per hour; 50 billion of hours per year
C. RM30 per hour; 40 billion of hours per year
D. RM35 per hour; 30 billion of hours per year

Continued ...

22. What happened to the labour market when the real wage rate is RM 15 per hour?

A. Labour surplus forces the real wage rate to go down.
B. Labour shortage forces the real wage rate to go up.
C. Labour surplus forces the real wage rate to go up.
D. Labour shortage forces the real wage rate to go down.

23. Suppose Melaka increases its supply of labour but its capital stock remains unchanged. What will happen to the country's labour productivity?

A. The labour productivity will increase.
B. The labour productivity will not change.
C. The output per labour will increase.
D. The labour productivity will decrease.

Question 24 until Question 27 refer to Table 3 below

$Y = (KL)^{0.5}$		
Period	**Quantity of Labour**	**Quantity of Capital**
1	100	50
2	110	50
3	120	50
4	130	50
5	140	50

Table 3

24. Based on the information given above, what is the total output for period 3?

A. 70.71 unit.
B. 77.46 unit.
C. 101.98 unit.
D. 112.25 unit.

25. Based on the information given above, calculate the labour productivity for period 5.

A. 0.60 unit.
B. 0.78 unit.
C. 0.76 unit.
D. 0.74 unit.

26. Based on the information given above, the economy is experiencing _____ effect. This happens when labour _____ but the capital _____.

A. diminishing capital returns; decreases; increases
B. diminishing returns; decreases; increases
C. diminishing returns; increases; remain unchanged
D. diminishing capital returns; increases; decreases

Continued ...

27. Which of the following is **TRUE** about the economy?

A. The higher the labour increases, the higher the labour productivity.
B. When labour productivity increases, the labour supply curve shift to left.
C. The economy can achieve higher output level by increasing its capital.
D. The economy's production possibility frontier expands outwards.

28. Assume that a small economy has 5000 workers, each working for 8500 hours per year. The average real output per worker-hour is RM10. The real GDP is _____.

A. RM400 million
B. RM425 million
C. RM300 million
D. RM325 million

Question 29 until question 31 refers to Table 4 below

Currency	Country	July 2018 exchange rate (per MYR)	July 2019 exchange rate (per MYR)
Euro (EUR)	Germany	0.2098	0.2180
Japanese yen (JPY)	Japan	27.4403	26.3774
U.S. dollar (USD)	United States of America	0.2460	0.2427
British pound (GBP)	Scotland	0.1871	0.1951

Source: Bank Negara Malaysia | Exchange rates | Rates from the Interbank Foreign Exchange Market

Table 4

29. Table above shows the exchange rates between various currencies and Malaysian Ringgit (MYR). Between July 2018 and July 2019, Malaysian Ringgit _____ against the Euro and _____ against the Japanese yen.

A. depreciate; appreciate
B. appreciate; appreciate
C. depreciate; depreciate
D. appreciate; depreciate

30. If she would like to have EUR3000 for her pocket money during her stay in Germany, how much Ringgit Malaysia does she need to have in order to exchange for her euro?

A. RM13,761.
B. RM14,299.
C. RM16,034.
D. RM15,390.

31. Which of the following is the **CORRECT** order of the highest to lowest Malaysian Ringgit exchange rate against the foreign countries?

A. GBP → EUR → USD → JPY.
B. JPY → USD → EUR → GBP.
C. USD → EUR → JPY → GBP.
D. EUR → GBP →JPY → USD.

Continued ...

32. Which of the following will **NOT** shift the Malaysian Ringgit supply curve to the left?

A. Malaysian demand for Italian handbags decreased.
B. Malaysia interest rates differentials increased.
C. The increase in demand from Singapore for Malaysian produced automobiles.
D. The expected future exchanged rates for Malaysian Ringgit increased.

33. When Canadian people want to exchange their Canadian dollars for Malaysian Ringgit, they _____ Malaysian Ringgit and _____ the Canadian dollars.

A. supply; demand
B. supply; supply
C. demand; demand
D. demand; supply

34. When Malaysia imports goods and services from the rest of the world, _____.

A. Malaysia increase its inflation rate
B. Malaysia received payments from the rest of the world
C. Malaysia decrease its inflation rate
D. Malaysia make payments to the rest of the world

35. Which of the following is recorded in the balance of payments account of a country?

I. Foreign investment in the country.
II. The country investment abroad
III. The country's government deficit or surplus

A. I and II.
B. I and III.
C. II and III.
D. I only.

36. A country's balance of payments accounts include all of the following **EXCEPT** the _____.

A. bank reconciliation account
B. official settlement account
C. current account
D. capital and financial account

37. When Malaysia donates RM1 million to Indonesia in the wake of the earthquake and tsunami that struck Central Sulawesi on October 2018, this transaction would _____ the _____ in Malaysia's balance of payment.

A. decreased; capital account
B. increased; capital account
C. decreased; current account
D. increased; capital account

Continued ...

Question 38 and Question 39 refer to Table 5 below

Item	Amount (RM millions)
Goods exports	198,394
Goods imports	164,545
Export of services	41,458
Import of services	43,294
Net investment income	-10,115
Net transfer income	-5,511
Balanced on capital account	5
Net receipt of financial derivatives	-13,816

Source: Bank Negara Malaysia | Balance of Payment | External Sector

Table 5

38. Given the data of Malaysia balance of payments for Quarter 1, 2019. The data shows that _____.

A. Malaysia has a deficit capital account balance
B. the balance of trade is surplus
C. Malaysia receipt of investment income is larger than its investment payment
D. Malaysia financial assets is larger than its financial liabilities

39. Calculate the balance on current account.

A. RM32,013 million.
B. –RM1,836 million.
C. –RM5,511 million.
D. RM16,387 million.

40. Which of the following statements about the balance of payments accounts is **CORRECT**?

A. The current account must be greater than the capital and financial account.
B. The sum of all three accounts is always zero.
C. The official settlements account is typically larger than both the capital and financial account and the current account.
D. Typically the capital and financial account is near zero because it equals the difference between the current account and the official settlements account.

[TOTAL 40 MARKS]

Continued ...

SECTION B: STRUCTURED QUESTIONS

Answers for this section should be written in the answer booklet provided.

QUESTION 1

Dr M: Various initiatives underway to tackle unemployment

The government is committed to reducing unemployment rate, especially among youths, the Dewan Rakyat was told today.

Prime Minister Tun Dr Mahathir Mohamad said this was done through various initiatives that include programmes to match skills and jobs, agency collaborations, career carnivals, holiday placements for students, and placement programmes for the special needs group. The government had also set up JobsMalaysia, a portal that allows youths to apply for suitable jobs.

"Youth unemployment between the ages of 15 to 24 is a normal phenomenon as they are in the transition process, from the education stage to the reality of workforce. Among factors are skills mismatch and lack of experience.

"Youths are urged to improve their attitude and be committed, hardworking, resilient, (have a sense of) teamwork, willing to learn, able to work under pressure and proactive," he added.

According to the Statistics Department, the unemployment rate among youths in Malaysia was 10.9 per cent last year.

(Source: *The New Straits Times Online, July 2019*)

(a) What is the unemployment rate among youths in Malaysia for 2018? (1 mark)

(b) List **SIX (6)** programmes to boost employability among graduates implemented by the government in the article. (6 marks)

(c) Identify **EIGHT (8)** self-initiative to improve youth's employability as urged by the Prime Minister. (8 marks)

(d) State and explain the type of unemployment suitable for the youth unemployment as mentioned in the article above. (5 marks)

(Total: 20 marks)

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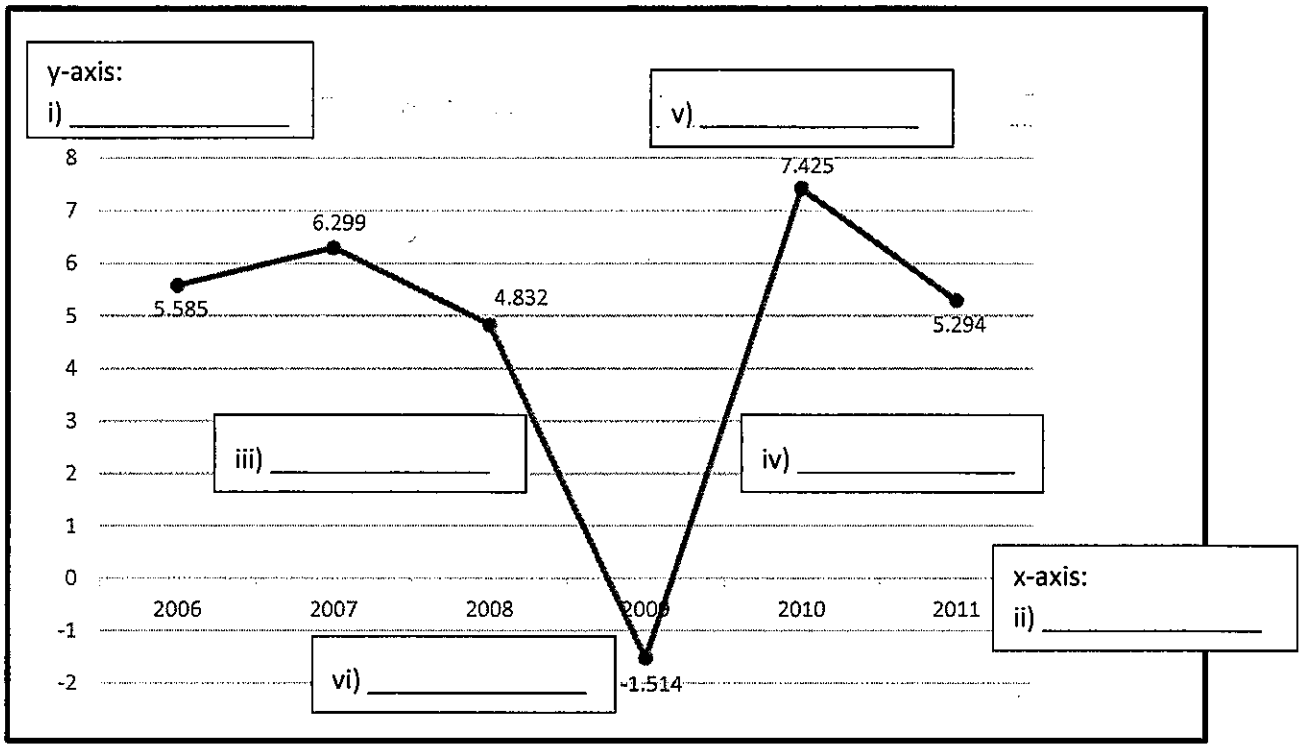
QUESTION 2

Malaysia's Business Cycle



(a) Label the business cycle above. (6 marks)

(b) Explain **FOUR (4)** periods in a business cycle. (12 marks)

(c) What happen to Malaysian economy in year 2009? (2 marks)

(Total: 20 marks)

Continued ...

QUESTION 3

(a) Suppose Bank Negara Malaysia announces the reserve requirement ratio for 2018 is 10%, and the first deposit in Bank ABC is RM50,000. Complete Table 6 below. (12 marks)
(*Students are required to copy the table in the answer script.*)

	New Deposit (RM)	**Required Reserve (RM)**	**Loans (RM)**
Bank ABC			
Bank DEF			
Bank GHI			
Bank JKL			

Table 6

(b) Calculate the money multiplier for the year 2018. How much money will be created based on the initial RM50,000 deposit? (4 marks)

(c) List **FOUR (4)** functions of Bank Negara Malaysia. (4 marks)

(Total: 20 marks)

End of Paper